

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION**

SQUARE, INC. and JAMES MCKELVEY,)	
)	
Plaintiffs,)	
)	
v.)	No.: 4:10-cv-02243-SNLJ
)	
REM HOLDINGS 3, LLC, a Missouri LLC,)	JURY TRIAL DEMANDED
)	
Defendant.)	

JOINT STATUS REPORT

Pursuant to the Court’s March 13, 2014 Order (Dkt. No. 119), Plaintiffs Square, Inc. and James McKelvey (collectively “Square”) and Defendant REM Holdings 3, LLC (“REM”) respectfully submit this Joint Status Report.

I. BACKGROUND

A. Square’s Initial Complaint for Correction of Inventorship of the ’729 Patent

This case involves three patents: U.S. Patent No. 7,810,729 (“the ’729 patent”), U.S. Patent No. 7,896,248 (“the ’248 patent”), and U.S. Patent No. 7,918,394 (“the ’394 patent”). On December 1, 2010, Square filed a Complaint seeking to correct inventorship on the ’729 patent pursuant to 35 U.S.C. § 256. (Dkt. No. 1.) On January 7, 2011, REM answered, alleging a single Counterclaim for “Declaratory Judgment for Patent Inventorship” of the ’729 patent. (Dkt. No. 16 at 10-14.)

B. REM’s Amended Counterclaims Alleging Infringement of the ’729, ’248, and ’394 Patents

The ’248 and ’394 patents issued on March 1, 2011 and April 5, 2011 respectively. (*See* Dkt. No. 56, Exs. 2-3.) On May 10, 2011, Square requested that the United States Patent and

Trademark Office (“PTO”) conduct an *inter partes* reexamination of the ’729, ’248 and ’394 patents. (See Dkt. No. 66, Exs. 5-7.)

On May 24, 2011, REM filed a First Amended Answer alleging counterclaims for infringement of the ’729, ’248 and ’394 Patents. (Dkt. No. 56.) In a June 10, 2011 Answer to REM’s infringement claims, Square alleged invalidity of the patents-in-suit. (Dkt. No. 64.) On June 13, 2011, Square filed a First Amended Complaint adding counts for declaratory judgment that the ’729, ’248 and ’394 patents are invalid, and for correction of inventorship on all three patents. (Dkt. No. 66).

C. The Patent Office Orders Reexamination of the Patents-In-Suit, And the Court Ordered the Case Stayed Pending Reexamination

In June 2011, the PTO ordered reexamination of all three patents. On June 27, 2011, Square moved the Court to stay the district court litigation pending reexamination of the patents. (See Dkt. Nos. 70, 71.) On October 17, 2011, the Court ordered the case stayed pending reexamination. (Dkt. No. 105).

As of the date of this Joint Status Report, the parties have not taken any discovery, and the Court has not held a scheduling conference or set a trial date.

II. THE STATUS OF THE REEXAMINATION PROCEEDINGS

A. The PTO Canceled All of the Claims of the ’394 Patent

On July 1, 2011, the PTO issued an office action rejecting all claims of the ’394 patent as invalid. REM did not contest the PTO’s rejection, and on January 17, 2012 the PTO issued a reexamination certificate canceling all 20 claims of the ’394 patent.

B. All Claims of the ’729 Patent Stand Rejected as Invalid by the Patent Trials and Appeals Board; REM has Filed a Request for Rehearing

During reexamination, the PTO Examiner rejected all of the claims of the ’729 patent. REM appealed the Examiner’s rejections of the claims of the ’729 patent to the PTO’s Patent Trials and Appeals Board (“PTAB”). On March 31, 2014, the PTAB issued its decision

affirming the Examiner's rejection of all claims of the '729 patent. On April 28, 2014, REM filed a Request for Rehearing.

C. All Claims of the '248 Patent Stand Rejected as Invalid By the Patent Trials and Appeals Board; REM Intends to Request Reopening of Prosecution of Claims 14-20, and REM's Motion for Rehearing of Claims 1-13 is Stayed

During reexamination, the PTO Examiner rejected claims 1-13 of the '248 patent as invalid, and confirmed the patentability (validity) of claims 14-20. REM appealed the rejection of claims 1-13 to the PTAB and Square appealed the confirmation of claims 14-20 to the PTAB.

On March 28, 2014, the PTAB issued its decision rejecting all claims of the '248 patent. In its decision, the PTAB affirmed the Examiner's rejections of claims 1-13 of the '248 patent. Reversing the PTO Examiner's position, the PTAB further rejected claims 14-20 as well. REM has until May 28, 2014 to request reopening of prosecution of claims 14-20, and intends to do so. A Motion for Rehearing of the rejections of claims 1-13 is stayed until completion of the reexamination of claims 14-20 by the PTO and its possible appeal back to the PTAB.

D. REM's Petitions to Terminate the Reexaminations of the '729 and '248 Patent for Lack of Standing are Pending before the PTAB/PTO.

On February 27, 2014, REM filed a petition in each of the reexamination of the '729 patent and the reexamination of the '248 patent to terminate the *inter partes* reexaminations, arguing that Square lacks standing to bring the *inter partes* reexaminations. The PTO has not yet issued its decisions on these petitions.

III. NEW LAWSUIT FILED BY REM AND ROBERT MORLEY

On January 30, 2014, REM and Morley filed a lawsuit—4:14-cv-0172-CDP – against Square, James McKelvey and Jack Dorsey alleging various torts and patent infringement. The matter is currently assigned to Judge Perry.

On April 11, 2014, Square moved to consolidate that case with this matter. REM and Morley filed an opposition on April 21, 2014. Square will file a reply on May 1, 2014.

Dated: May 1, 2014

Respectfully submitted,

/s/ Erica D. Wilson (with consent)

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CERTIFICATE OF SERVICE BY E-FILEING

I hereby certify that on May 1, 2014 the foregoing was filed electronically with the Clerk of the Court, and service was made by means of the Court's Notice of Electronic Filing upon all counsel of record.

/s/ David B.B. Helfrey